

COUNTY OF LUCE, MICHIGAN

Reports on Compliance
and
Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
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INDEPENDENT AUDITOR'S REPORT

Members of the Board
County of Luce, Michigan
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Luce, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Helen Newberry Joy Hospital which represents 55% and 65% of the assets and revenues of the Discretely Presented Component Units for the County of Luce, Michigan. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it related to the amounts recorded for the Helen Newberry Joy Hospital is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Luce, Michigan as of the year ended December 31, 2006, and respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007 on our consideration of the County of Luce's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Luce, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the County of Luce. The accompanying schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 31, 2007

Reports on Compliance



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MEMBER MACPA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board
County of Luce, Michigan
Newberry, Michigan 49868

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Luce, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County of Luce, Michigan's basic financial statements and have issued our report thereon, dated May 17, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Helen Newberry Hospital, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying summary schedule of prior audit findings to be significant deficiencies in internal control over financial reporting as items 98-2 and 99-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

We noted certain matters that we reported to management of the County of Luce, Michigan in a separate letter dated May 17, 2007.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and summary schedule of prior audit findings. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 31, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board
County of Luce, Michigan
Newberry, Michigan 49868

Compliance

We have audited the compliance of the County of Luce, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Luce County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 31, 2007

County of Luce, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-through from the State of Michigan			
Department of Community Health: (to LMAS District Health Dept.)			
Women, Infants and Children	10.557	XX4W1006	\$ 134,829
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct Awards (to Luce County Housing Commission):			
Section 8 Vouchers	14.871	C-8091V	369,903
Section 8 Supplement	14.182	N/A	123,306
Total Direct Awards			493,209
Pass-through from the Michigan State Housing Development Authority (MSHDA):			
Michigan CDBG Housing Program	14.228	MSC-2004-754-HOA	67,912
Total U.S. Department of Housing and Urban Development			561,121
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from the State of Michigan Department of State Police, Emergency Management Division:			
2004 Homeland Security Grant Program	97.004	N/A	10,240
2005 Law Enforcement Terrorism Prevention Program	97.067	N/A	5,028
2005 Homeland Security Grant Program	97.004	N/A	12,044
2004 Interoperable Equipment Grant	97.004	N/A	22,000
Emergency Management Performance Grant	97.067	N/A	2,305
Total U.S. Department of Homeland Security			51,617
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Pass-through from the State of Michigan			
Department of Human Services:			
Title IV-D Incentive Payments	93.563	N/A	9,759
Friend of the Court - Cooperative Reimb. 10/01/05-09/30/06	93.563	CS/FOC-05-48001	58,288
Friend of the Court - Cooperative Reimb. 10/01/06-09/30/07	93.563	CS/FOC-06-48001	33,171
Prosecuting Attorney - Cooperative Reimb. 10/01/05-09/30/06	93.563	CS/PA-05-48002	7,376
Prosecuting Attorney - Cooperative Reimb. 10/01/06-09/30/07	93.563	CS/PA-06-48002	2,371
Subtotal - DHS			110,965
Pass-through from the State of Michigan			
Department of Community Health: (to LMAS District Health Dept.)			
Family Planning Project	93.217	05H000173	28,349
Immunization Program IAP - Child Immunization Grants	93.268	H23-CCH522556	10,827
Vaccine Provided -Value	93.268	N/A	126,375
Centers Disease Control Prevention Investigation Tech Assist -Bioterrorism	93.283	CCU517018	210,293
Medicaid Administration - Case Management Services	93.778	5XX05MI5048	10,499
Title XIX - Medicaid Program	93.778	N/A	1,970
Breast and Cervical Cancer Control Prevention	93.919	U57-CCU506738	62,278
Maternal & Child Health Services - Family Planning Project	93.994	B1MIMCHS	5,707
Family Planning Project - Local MCH	93.994	B1MIMCHS	36,213
Maternal & Child Health Services - Case Mgmt Services	93.994	B1MIMCHS	7,798
Subtotal - DCH			500,309
Pass-through from the Eastern Upper Peninsula Substance Abuse Services (EUPSAS): (to LMAS District Health Dept.)			
Adult Benefit Waiver	93.767	N/A	2,983
Medicaid	93.788	N/A	20,636
Substance Abuse Prevention	93.959	N/A	92,917
Substance Abuse Treatment	93.959	N/A	72,000
Subtotal - EUPSAS			188,536
Total U.S. Department of Health and Human Services			799,810

County of Luce, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Pass-through from the State of Michigan Department of Environmental Quality (MDEQ): (to LMAS District Health Dept.)			
EPA Cap Grant for the Drinking Water Revolving Fund	66.468	N/A	600
State Grant to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	N/A	3,200
Total U.S. Environmental Protection Agency			3,800
U.S. DEPARTMENT OF EDUCATION:			
Pass-through programs from:			
Alger Intermediate School District: (to LMAS District Health Dept.)			
Early On-Service Coordination & Discretionary Funds	84.181	1349/190	8,171
Subtotal - AISD			8,171
Pass-through programs from:			
Schoolcraft Intermediate School District: (to LMAS District Health Dept.)			
Schoolcraft County Early On	84.181	N/A	34,069
Subtotal - SISD			34,069
Total U.S. Department of Education			42,240
U.S. DEPARTMENT OF COMMERCE:			
Pass-through programs from:			
Michigan Department of Environmental Quality			
Coastal Zone Management Grant	11.419	N/A	10,370
Total U.S. Department of Commerce			10,370
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through programs from:			
Michigan Department of Transportation			
Airport Improvement Program (See Note F)	20.106	B-26-0042-0505	188,000
Structure of CR 98 over Helmer Creek	20.205	STP 0548(007)	9,645
CR 98 (Ten Curves Road)	20.205	STP 0648(009)	643,112
Subtotal - MDOT Administered			840,757
Pass-through programs from:			
Michigan Department of State Police			
Hazardous Materials Emergency Planning Grant	20.703	120104-018	626
Total U.S. Department of Transportation			841,383
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,445,170</u>

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Luce, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Housing and Urban Development which provided the greatest amount of direct awards to the County during 2006.

NOTE C - FEDERAL EXPENDITURES OF COMPONENT UNITS:

The following component units of Luce County had separate audits performed during 2006:

- Luce County Housing Commission
- Luce Mackinac Alger Schoolcraft District Health Department
- Helen Newberry Joy Hospital

Federal expenditures incurred by each of the component units (if any) are included in the accompanying schedule.

NOTE D - RECONCILIATION TO BASIC FINANCIAL STATEMENTS:

The following is a reconciliation of the amounts reported on the basic financial statements to the schedule of expenditures of federal awards:

Total Federal per Financial Statements	
Revenues - Primary Government	\$ 430,435
Less: State Revenue Coded as Federal	(945)
Add: Component Unit Federal Expenditures	<u>2,015,680</u>
Total Federal Revenue Recognized per Schedule of	
Expenditures of Federal Awards	<u>\$ 2,445,170</u>

NOTE E - ROAD COMMISSION GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2006, the Federal aid received and expended by the Road Commission was \$643,112 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions as they are included in MDOT's single audit.

NOTE F – AIRPORT GRANTS

The Michigan Department of Transportation (MDOT) requires that airports report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2006, the Federal aid received and expended by the Airport was \$188,000 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the airports as they are included in MDOT's single audit.

Section I – Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA NUMBERS</u>	<u>Name of Federal Program or Cluster</u>
14.182	Section 8 Supplement
14.871	Section 8 Vouchers
93.283	Bio Terrorism
10.557	WIC
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Significant Deficiencies – Non-Compliance

Excess Expenditures Over Appropriations

Finding 06-1

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended December 31, 2006, the County incurred expenditures in excess of amounts appropriated as follows.

<u>Fund/Function/Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Other Expenditures	\$ 165,651	\$ 191,164	\$ (25,513)

Effect: The County has not complied with various State Statutes.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management's Response – Corrective Action Plan: The budget will be more closely monitored and budget amendments will be made accordingly.

Delinquent In Distributing Tax Revenues

Finding 06-2

Condition/Criteria: The disbursement of current tax collections, to the respective townships was not conducted in a timely manner as of December 31, 2006. The disbursement was not performed as of April 21, 2007.

Effect: Current tax collections were not remitted in a timely manner to other taxing units.

Cause of Condition: Unknown.

Recommendation: To ensure timeliness of tax disbursements, disbursements should be made within 10 business days in accordance with Department of Treasury regulations.

Management's Response – Corrective Action Plan: The board has implemented compensating controls to reduce the risks discussed above.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section II – Financial Statement Findings

Significant Deficiencies – Internal Control

Segregation of Duties – Ambulance Department

Finding 98-2

Condition/Criteria: The office secretary of the ambulance department handles nearly all phases of the accounting function, such as accounts receivable, accounts payable, posting to the general ledger, reconciling, receipting and depositing funds. To maintain a strong internal control system in an organization, one employee should not have responsibility for all phases of an accounting system.

Effect: Lack of segregation of duties increases the risk that errors and irregularities could occur and not be detected in a timely manner.

Cause of Condition: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

Recommendation: The Board should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Response: The board has implemented compensating controls to reduce the risks discussed above.

Status: No change.

Significant Deficiencies – Internal Control

Segregation of Duties – EDC (Component Unit)

Finding 99-1

Condition/Criteria: In our assessment of the internal control structure of the EDC, we noted that bookkeeping duties are handled by one individual including accounts receivable, accounts payable, posting to the general ledger, reconciling, and depositing funds. This person also handles bank deposits.

Effect: Lack of segregation of duties increases the risk that errors, omission, and irregularities could occur and not be detected in a timely manner.

Cause of Condition: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

Recommendation: The Board should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Response: The board has implemented compensating controls to reduce the risks discussed above.

Status: No change.

Section II – Financial Statement Findings – (Continued)

Significant Deficiencies – Non-Compliance

Excess Expenditures Over Appropriations

Finding 05-1

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended December 31, 2005, the County incurred expenditures in excess of amounts appropriated as follows.

<u>Fund/Function/Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government	\$ 601,843	\$ 626,828	\$ (24,985)
Public Safety	384,943	440,130	(55,187)
Special Revenue Funds:			
Remonumentation	81,090	116,712	(35,622)
Child Care-Probate	54,594	74,340	(19,746)

Effect: The County has not complied with various State Statutes.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management's Response – Corrective Action Plan: The budget will be more closely monitored and budget amendments will be made accordingly.

Status: Refer to Finding 06-1.

Delinquent In Distributing Tax Revenues

Finding 05-2

Condition/Criteria: The disbursement of current tax collections, to the respective townships was not conducted in a timely manner as of December 31, 2005. The disbursement was not performed as of April 21, 2006.

Effect: Current tax collections were not remitted in a timely manner to other taxing units.

Cause of Condition: Unknown.

Recommendation: To ensure timeliness of tax disbursements, disbursements should be made within 10 business days in accordance with Department of Treasury regulations.

Management's Response – Corrective Action Plan: The board has implemented compensating controls to reduce the risks discussed above.

Status: Refer to Finding 06-2.

Section II – Financial Statement Findings – (Continued)

Significant Deficiencies – Non-Compliance

Fund Equity Deficit

Finding 05-3

Statement of Condition/Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year. As of December 31, 2005, the Secondary Road Patrol Fund and Child Care Fund had immaterial accumulated fund equity deficits.

Effect: The County is not in compliance with Public Act 275.

Cause of Condition: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund equity and to implement a deficit reduction plan when required.

Management's Response – Corrective Action Plan: The deficit in the secondary Road Patrol Fund was caused by the Road Patrol Officer being utilized for a high priority criminal investigation and those overtime hours were incorrectly charged to the Secondary Road Patrol Fund. The General Fund will reimburse the Secondary Road Patrol Fund for that amount.

The deficit in the Child Care Fund will be resolved by an increased appropriation from the General Fund to that fund.

Status: Corrected.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiencies – Non-Compliance

U.S. Department of Homeland Security

Finding 05-4

Program Award: Homeland Security Grant Program; CFDA No. 97.067; U.S. Department of Homeland Security; Pass-through Michigan Department of State Police, Emergency Management Division.

Statement of Condition/Criteria: The County does not maintain the required documentation to be in compliance with OMB Circular A-87 for all federally funded grants. OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments requires time/salaries spent working on Federal Programs to be documented for co-funded and 100% funded staff.

Effect: The County could be incorrectly charging employee salaries to Federal Programs.

Cause of Condition: Unknown.

Section III – Federal Award Findings and Questioned Costs (Continued)

Recommendation: For County employees who work solely for one federal program, a semi-annual wage certification should be prepared and signed by the employee and a supervisor. For those employees who work on multiple federal programs, a weekly record must be maintained documenting the amount of time spent on each federal program and should be signed by the employee and a supervisor.

Management's Response – Corrective Action Plan: The County will implement the required payroll documentation during 2006.

Status: Corrected.